THOUGHTS

ON

TAXATION:

IN THE COURSE OF WHICH

THE

POLICY

OF A

TAX ON INCOME

IS

IMPARTIALLY INVESTIGATED.

Nullius addictus jurare in verba magiſtri. HOR.

LONDON:

PRINTED FOR J. DEBRETT, OPPOSITE BURLINGTON-HOUSE, PICCADILLY.

1798.

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ADVERTISEMENT.

IT is with the utmoſt diffidence that I commit the following ſheets to the preſs: I am ſenſible that the diſcuſſion into which I have entered, is of a nature too abſtract to afford general entertainment; thoſe, therefore, who take up publications of this ſort with a view of being amuſed with ſallies of wit, effuſions of fancy, and elegance of ſtyle, or gratified by perſonal anecdotes and ſatirical ſtrictures, will throw this pamphlet aſide with diſguſt and diſappointment. It will be countenanced by no political party, as it courts the patronage of neither. The Author has delivered his ſentiments with the freedom of an independent man; and though his opinions may be erroneous, they are, at leaſt, ſincere. To commit them to paper was the employment of a few leiſure hours in a retired ſituation at a diſtance from the metropo-

lis. They were thrown together on the ſpur of the occaſion, and might certainly have been leſs imperfect, could the Author have had acceſs to books or authentic documents on finance. They have been communicated to one ſingle friend, whoſe approbation of their general tendency has induced the writer to ſubmit them to the candour and indulgence of the Public.

Nov. 1, 1798.

BRITISH MUSEUM

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ON

TAXATION,

&c.

IN the preſent exhauſted ſtate of this country, when ſupplies muſt be raiſed, and burdens impoſed to an enormous amount, every reflecting mind will naturally beſtow ſome degree of attention on the moſt eligible means of anſwering the preſent exigencies, and providing for the public neceſſity with the greateſt eaſe to the people, and the leaſt poſſible danger to the national credit. Nay, it is a ſubject which muſt ultimately force itſelf upon the conſideration of the moſt careleſs and inattentive. Millions cannot be raiſed without being felt; nor is the preſſure of taxation ſo light as to eſcape the notice of thoſe who are ſubject to its operation.

Independent of Miniſters, and unconnected with Oppoſition, it is my intention, in the following ſheets, to offer ſome thoughts on the financial ſtate of this country, with reference to the mode of raiſing the ſupplies, and making proviſion for the ſeventh year of a war, as unexampled in its expenſes as it was extraordinary in its origin. And as the obſervations that I mean to ſubmit to the judgment of the Public could derive no weight from the name of a man equally unknown in the literary and the political world, I ſhall leave them to ſtand or fall (according to the ſtrength or weakneſs of the arguments on which they are founded) in the ſhape of an anonymous publication.

Though any diſcuſſion of the juſtice of the preſent war, or the conduct of his Majeſty's miniſters, is foreign to my purpoſe, I will explicitly acknowledge, that, in my opinion, miniſters ought to be made to anſwer for the calamities in which the country is involved. Whatever neceſſity may be adduced, or whatever forcible and ſpecious reaſons be alleged, for alterations or regulations, it certainly cannot be denied but that the freedom of the preſs, and the liberty of ſpeech, have been materially abridged; and the people (at leaſt for a time) deprived of their ineſtimable privileges.

But when the patriotic ardour and glowing eloquence of a Fox; the animated arguments, the forcible wit, and claſſic elegance of a Sheridan; and the

the legal abilities and conſtitutional exertions of an Erſkine, have been fruitleſsly diſplayed; when the united ſplendour of their talents has proved too weak to wean the people from the confidence which they have ſo injudiciouſly placed in the authors of their misfortunes; it would be the height of preſumption in me to imagine that my feeble pen could effect what their tranſcendent abilities have been unable to accompliſh.

I have thought it, however, the more adviſable to give ſome account of my political ſentiments, becauſe the following obſervations rather tend to recommend the project which miniſters are ſuppoſed to have in contemplation; and if I am allowed any credit for candour or ſincerity, the explanation I have given of my ſentiments will preclude any ſuſpicion that my judgment can be warped, in this inſtance, by my political prejudices, or influenced by an attachment to the men now in office, whoſe meaſures in general no man reprobates more warmly than myſelf.

The moſt material queſtion that preſents itſelf is, whether it is moſt expedient to perſevere in the uſual method of funding? or, whether it is eligible to have recourſe to ſome more vigorous ſyſtem of taxation, which, by raiſing the ſupplies within the year, or providing funds for the liquidation of the whole ſum within a few years, will prevent the accumulation of the

the permanent debt, and the conſequent degradation of the public funds?

It was the opinion of our anceſtors, that when the national debt ſhould amount to an hundred millions, the country would be undone, and a bankruptcy muſt enſue. Their more enlightened poſterity, who are in the habit of providing for the intereſt of above *four* hundred millions, laugh at the ſimplicity of their forefathers, and wonder at their narrow and illiberal notions of finance. It may, however, be reaſonably ſuſpected, that this contempt of the ſagacity of their anceſtors is rather the ſuggeſtion of ſelf-conceit than the reſult of profound inveſtigation. It is very poſſible, that under the circumſtances of the country at that time, a debt of *one* hundred millions would have brought the nation to a ſtate of bankruptcy, and that it may now, under different circumſtances, be able to provide for the intereſt of *four* hundred millions. Even at the cloſe of the American war, if an addition had been made to the national debt, equal to that which has taken place during the laſt ſix years, the country muſt have ſunk under the weight.

If the preſent annual income of the people is four times what it was in the days when that idea prevailed among our anceſtors, it will follow that we can provide for the intereſt of four hundred millions with at leaſt as much facility as they could for the intereſt of one hundred.

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But in order to enable a country to bear a weight of taxation, which will produce four times what it did before, it is not neceſſary that the public income of the nation ſhould be quadrupled. The augmentation of income may be either *real* or *nominal*; it is *real* when it proceeds from an increaſe in the produce of the country, whether occaſioned by the improvement of land, or the extenſion of manufactures and induſtry: it is *nominal*, when it is occaſioned by a riſe in the money price of commodities, or, more properly, by an alteration in the value of money.

When the augmentation proceeds from the latter cauſe, the exceſs of taxation can be raiſed only in proportion to that augmentation. If a man of an hundred a year ſhould have his income doubled, but find the price of every commodity enhanced in the ſame proportion, he is not richer than he was before, his two hundred pounds repreſenting no greater quantity of commodities than he could before purchaſe with one hundred; the nominal amount of his contribution is raiſed, but the proportion will remain the ſame.

When, on the contrary, the augmentation in the income is owing to an increaſe of the real wealth of the nation, it will enable the people to pay a greater proportion of their income towards the taxes. If a man of an hundred a year ſhould find his income doubled, without any material alteration in the price of the ſeveral articles of conſumption, he could, without diſ-

treſſing himſelf, afford to pay much more than double his former contribution.

As the augmentation in the income of this country proceeds partly from one of theſe cauſes, and partly from the other, it may eaſily be accounted for how the nation may be enabled to provide for a debt four times heavier than it could have borne at a former period, though its aggregate income ſhould not be quadrupled.

The improvements in agriculture, commerce, and manufactures, have added conſiderably to the real riches of the country; but the nominal price of conſumable articles has likewiſe been much enhanced, owing principally, as I conceive, to the progreſs of taxation.

After conſidering, with ſome degree of attention, the nature, progreſs, and tendency of our financial ſyſtem, I am induced to lay it down as a general, if not an invariable poſition, that all taxes fall ultimately on the conſumer. Some taxes, ſuch as that on hair-powder, carriages, horſes, poſt-horſes, ſervants, and moſt of the ſtamp-duties, are immediately levied upon him. They have this advantage, that the whole of what is paid by the individual is applied to the public ſervice; but it is, in general, paid with particular reluctance, becauſe it comes in the ſhape of a direct contribution: this, however, is not perhaps a real objection to that method of taxation, as

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the unwillingneſs of the people to pay is ſome check upon the prodigality of a profuſe miniſter and a complaiſant parliament.

The money raiſed by way of cuſtoms and exciſe, though advanced by the merchant or manufacturer, is ultimately paid by the conſumer; and the amount of the duty is ſo identified with the price of the commodity, that the purchaſer is ſcarcely ſenſible that he is paying a tax; he however pays not only the tax, but the profit of the merchant or manufacturer upon that tax; ſo that if this method of taxation be more palatable, it is likewiſe more expenſive: and as the commodity often paſſes through ſeveral hands before it reaches the conſumer, he has frequently the profits of many dealers to defray; thus, the importer of wine ſells it to the wine-merchant, who ſupplies the vintner at whoſe houſe the conſumer drinks it. Nor are the profits of the ſeveral dealers unreaſonable. If the importer pays 20*l.* for a pipe of wine, and 40*l.* for the duty, the capital employed on one pipe would purchaſe three, if the wine were ſubject to no duty; he muſt therefore, according to every commercial principle, make as much profit upon one pipe as he would otherwiſe upon three. The merchant and vintner muſt likewiſe have their profits before the gentleman can drink the wine at the tavern. Combinations have ſometimes been formed to advance the price unreaſonably upon the conſumer, but the free ſpirit of competition will not allow ſuch practices

to be either frequent or lasting, unless they are supported by monopoly or exclusive privileges.

The land-tax has always been considered as an exception to the rule I have laid down, and as falling exclusively on the landlord. I will not hesitate to give it as my decided opinion, that if an equal tax were laid on land according to the rental, the landlord would, in process of time, transfer it to the tenant, who would throw it on the consumer, by advancing the price of provisions. But the land-tax, as it subsists at present, is so unequal in its operation, and so different from its original spirit, that it is very difficult to ascertain its tendency. The original design of that act was to levy a general contribution on the people, according to their property, real and personal; but as a fixed sum was laid on every district, and the inhabitants of each district allowed to levy it in the manner most agreeable to themselves, its execution was extremely irregular at first; and time and progressive alterations in the property of the kingdom have rendered it still more unequal. In general, however, it is levied almost exclusively upon land and houses, and has consequently been denominated the land-tax.

As it was originally intended to operate as a contribution on every man's income, and was moderate in its amount, it is probable that it affected every individual who was assessed to it in the same manner as the tax on carriages, &c. or the late assessed taxes.

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As the burden increaſed, and was found to be in reality, as well as in name, almoſt an excluſive tax upon land, it was natural for the landlord to endeavour to exonerate himſelf of the burden by raiſing his rent. This, however, could not be done with the ſame eaſe and expedition as in the caſe of taxes on conſumable articles, which are immediately tranſferred by the trader to the conſumer. Where there ſubſiſt leaſes, the landlord muſt bear every additional burden; beſides, landed property being divided between a great number of proprietors, differently circumſtanced, it is not ſo eaſy for them to combine as it is for merchants or manufacturers. Since, however, it has been invariably fixed at four ſhillings in the pound, the landlord, knowing the exact amount of the burden, can ſpeculate with more certainty on the moſt effectual mode of ſhifting a part of it, at leaſt, from his own ſhoulders, by raiſing his rent on the tenant, leaving him to indemnify himſelf at the expenſe of the conſumer.

The great riſe which has lately taken place in rents leads us to ſuſpect that he has not been wholly unſucceſsful in his endeavours; but it muſt at the ſame time be acknowledged, that the land-tax is not the ſole, nor even the principal cauſe of the riſe in the rent of land; it may be owing, in *ſome degree*, to the increaſe of the *real wealth* of the country; but in a much greater proportion to the increaſed expenſe of living, from the augmentation of the *nominal*

minal price of commodities, as I ſhall hereafter have occaſion to ſhow.

The tax upon houſes and windows ſeems to partake partly of the nature of a perſonal impoſt, and partly of that of a land-tax; and, from the inequality of its application, falls in ſome caſes upon the proprietor, more heavily than the land-tax itſelf. As it is paid by the occupier of the houſe, it is a tax on the conſumer; but if it tend to lower the rent, it ultimately affects the owner.

The acute and philoſophical Adam Smith, who has thrown more light on the nature of the wealth of nations than any author living or dead, makes a diſtinction between what he calls the building rent and the ground rent; and ſuppoſes that the former is not affected by the tax, which falls partly on the ground-rent and partly on the occupier. The diſtinction appears to me more ingenious than ſolid. The ground-rent bears a very trifling proportion to the value of the houſe, except in ſome particular ſituations, ſuch as the metropolis, or in great commercial towns: and in thoſe places the ground-rents are not likely to fall, becauſe they enjoy the advantage of a monopoly, and becauſe thoſe houſes are chiefly in the occupation of the commercial and manufacturing part of the community, who cannot leave them without great prejudice to their buſineſs, and who have it in their power to indemnify themſelves by an advance in the price of their commodities, for any ad-

ditional expenſe which they are obliged to incur. Beſides, that diſtinction can only apply to the ground-rent of new houſes; that of thoſe already built is fixed and certain; and a diminution in the whole rent muſt fall on the building rent, as that which is due on the ground muſt always continue the ſame. I ſhall therefore conſider the ſubject in a ſingle point of view.

If an heavy tax were laid on all houſes *ad valorem*, it would materially affect the proprietors of large and coſtly manſions, becauſe people would remove into cheaper houſes; but by increaſing the demand, it would raiſe the rent of low-priced houſes. In the ſame proportion as it would diminiſh the competition for large, it would increaſe that for ſmall houſes; the aggregate amount of houſe-rent might remain the ſame, but it would be divided in a different manner.

The tax on windows has very much ſunk the value of old-faſhioned houſes, which, being built before the tax took place, generally have a great number of windows; but it has, in the ſame proportion, enhanced the rent of modern houſes, which, having been built ſince the duties were laid on, are contrived in ſuch a manner as to pay a much lower contribution for the enjoyment of light. What is loſt by one claſs of proprietors is gained by the other; the loſs of the former is owing, not to the principle of the tax, but the inequality of its operation.

If the weight of taxes ſhould for a ſhort time reduce the rent of houſes, it would diſcourage building; and as the houſes decayed without being replaced, the competition which muſt ariſe in conſequence would raiſe the rent, till the high price of that rent would induce the builder to turn his capital into that channel.

This tax is certainly very unequal in its operation; it injures one claſs of proprietors while it benefits another; but it forms no exception to the principle I have laid down; and the occupier, upon the whole, really pays the tax of the houſe he inhabits: if the tenant of a large houſe pays ſomething leſs, that of a ſmall houſe pays more; and I am here conſidering the general reſult. If an heavy duty were laid on brandy, without any addition to that on rum, it would give a great advantage to the dealer in rum over the brandy-merchant, and perhaps induce the latter to ſell his brandy at a lower profit; but it would not change the operation of the tax on ſpirits, which would ſtill continue to be paid by the conſumer.

If we conſult experience, and appeal to undiſputed facts, it cannot be denied that very heavy duties have, within theſe five-and-twenty years, been laid upon houſes and windows; and that, in ſpite of thoſe burdens, not only no reduction has taken place in the rents of houſes, but that they are now *conſiderably higher* than they were before the impoſi-

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tion of thoſe duties. It will, I believe, be admitted, that they were never ſo high as they were immediately previous to the aſſeſſed taxes; the rent of large houſes may have ſuffered ſome diminution in conſequence, but low-priced houſes muſt have riſen in proportion.

Some people will aſcribe this advanced rent to the increaſe of the real wealth of the country; but I attribute it principally to a riſe on the nominal price of commodities, or a degradation in the value of money, occaſioned by the progreſs of taxation. It cannot be owing to an increaſe in the demand, for never were ſo many houſes unoccupied as at the preſent moment.

I admit that an increaſe in the number, elegance, and magnificence of houſes is a proof of the increaſe of national opulence; but the mere augmentation of rent, unleſs occaſioned by an increaſed competition, only proves an alteration in the value of money. Before the commencement of the preſent hoſtilities, houſes were ſtarting up in every part of the kingdom: this branch of ſpeculation was carried to an extent unknown before, and which aſtoniſhed even thoſe who entertained the moſt ſanguine notions of the riches of the country. But as ſoon as the war began to ſhed its baneful influence, and check the progreſs of national proſperity, all theſe ſpeculations were inſtantly abandoned; building was at a ſtand; houſes remained unfiniſhed; and, converted into

ruins, exhibited a melancholy ſpectacle of deſolation. But the war had a very different effect on the rent of houſes; for (except perhaps in a few places, where competition was diminiſhed by the number of new buildings) it continued to riſe in moſt parts of the kingdom, becauſe the nominal price of every commodity was daily increaſing in conſequence of the progreſs of taxation *.

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* This requires explanation. I am very ſenſible that the war has lowered the rent of houſes, where it has diminiſhed the demand for them, which it has done in many places, in conſequence of the ſtagnation it has occaſioned in ſeveral branches of trade and manufactures. It has likewiſe cauſed a diminution in the general demand by reducing the number of houſekeepers, owing principally to the great increaſe of the military eſtabliſhment. No property is ſo much affected by a failure in the demand as houſes; their number cannot be leſſened, neither can any of them be withdrawn from the market. Yet, notwithſtanding a diminution in the demand may, in ſome caſes, have counteracted the tendency of the progreſs of taxation to advance their rents, they continued riſing in general, previous to the aſſeſſed taxes, except in thoſe places where the failure in the demand operated more powerfully than the oppoſite cauſe. It would be as unfair to quote Norwich on the one hand, as Portſmouth or Plymouth on the other. If in places not materially affected by the war the rent of houſes continued the ſame, my reaſoning would ſtand good; for the diminution in the general demand occaſioned by a reduction in the number of houſekeepers, would have lowered their rent if it had not been kept up by ſome other cauſe; and I think I am warranted in ſaying that, where the demand has not diminiſhed, the rent has continued to riſe.

That the aſſeſſed taxes have lowered the rent of houſes upon the whole, is very probable; as all heavy impoſts on any article will,

There are a few taxes, ſuch as that on auctions, and ſome duties on the transfer of property, the operation of which it is difficult to aſcertain: they fall ſometimes on the buyer, ſometimes on the ſeller, according to circumſtances; and it does not unfrequently happen that both contribute to it in a certain proportion. It might be ſaid, that a man would not ſend his goods to an auction, unleſs he thought it would procure him an advantage at leaſt equal to the tax he is obliged to advance; but upon the whole, I conſider the operation of this tax as depending entirely on circumſtances.

I have hitherto chiefly remarked on taxes, as they affect the price of the articles on which they are immediately impoſed; but the evil does not end here. When taxes are laid upon one, or a few articles of luxury, thoſe articles become dearer in proportion to the duty impoſed upon them; and the price of other commodities continues the ſame: for inſtance, if taxes were laid on wine, ſpirits, and tea alone, they would not affect the price of other articles of conſumption; but when they are ſo multiplied as to

will, by diſcouraging the demand, leſſen its value; eſpecially when, as in the preſent caſe, a reduction cannot be made in the quantity in proportion to the diminution in the demand. Thoſe partial cauſes, however, which have lowered the value of houſes are temporary, and when once removed will ceaſe to operate: the tendency which the increaſe of taxes has, by lowering the value of money, to raiſe the rent of houſes as well as the price of other things, will then produce its full effect, when no longer counteracted by cauſes of an oppoſite tendency.

extend to a great number of the neceſſaries of life, they tend to raiſe the nominal value even of thoſe articles which are not immediately taxed, the price of which is enhanced by the re-action of the duties laid on other commodities.

Neither butcher's meat nor corn are taxed; on the contrary, every exertion is made to keep them at a low price; yet they have riſen to a price hitherto unknown in this country. This has been aſcribed to ſcarcity, and to every cauſe, except the real one, the increaſe of our taxes. This, I am perſuaded, is the true and efficient cauſe, though perhaps the evil may admit of increaſe or mitigation from other adventitious circumſtances.

In order to be convinced of this truth, let us conſider for a moment, from what ſources the farmer produces the commodities that he ſends to market, and in what manner theſe different ſources are affected by the preſent heavy and increaſing preſſure of taxation. Adam Smith derives the price of all commodities from the rent of land, the profits of ſtock, and the wages of labour; to theſe we may add a fourth component part, the taxes paid to Government, which conſtitute a conſiderable part of the price of every commodity *.

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* It may be objected, that, as taxes are originally derived from one or other of thoſe three ſources of revenue (as that profound and judicious writer obſerves), I ought not to have conſi-

The very rapid and enormous accumulation of taxes within theſe twenty years has raiſed the greateſt part of conſumable articles to ſuch a price, that the landholder is not able to preſerve his ſtation in life, unleſs he, as well as other dealers, can raiſe the price of his commodity; and we find, in conſequence, that the rent of land is growing higher every day, and keeps pace, at leaſt in ſome degree, with

conſidered them as a diſtinct component part of price: but I am here treating, not of the original ſources of revenue, to which taxes are far from contributing, but of their influence on the nominal price of commodities, which they raiſe very conſiderably: and I may be able to ſhow, that the augmentation which they occaſion in the price of things, whether by their immediate or indirect operation, though advanced upon the rent of land, the profits of ſtock, and wages of labour, ultimately falls, if not entirely, at leaſt principally, upon that part of ſtock which is converted into annuities. Philoſophically ſpeaking, there are only two original ſources of revenue—the rent of land, and produce of labour; ſtock is originally derived either from the one or the other, or both: but after it is accumulated, it becomes itſelf a very efficient and productive cauſe of revenue, and communicates additional energy and activity to the other two; it is therefore very properly conſidered as one of the principal ſources of wealth and revenue. In the ſame manner, taxes, though derived from thoſe three ſources of revenue, evidently raiſe the price of goods, and may therefore be conſidered as one of the component parts of price, though they are not the ſources of revenue. Commodities, before they are brought to market, muſt pay a certain contribution to the ſtate, as well as a certain profit to the manufacturer; both of which tend to raiſe their price, of which they contribute two diſtinct component parts. I do not, in this inſtance, differ in principle from Dr. Smith; I only conſider the ſubject in a different point of view.

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the advanced price of other commodities: there may be partial exceptions; but I believe it will be admitted, that it has riſen conſiderably in general, and that the expiration of long leaſes is conſidered as a fortunate circumſtance by the greateſt part of the proprietors of land. If the fact be ſo, this concluſion will naturally follow, that, as the rent of the land riſes, the produce of that land muſt riſe in proportion.

It will not be denied, that wages have riſen conſiderably of late in all parts of this kingdom; the cheaper ſort of labour has, perhaps, more than any other riſen in its price. A general effect cannot proceed from a partial cauſe; this increaſe of wages muſt be owing to ſome general cauſe, which extends its influence to all the labouring part of the community. It does not proceed from the growing proſperity of the nation, which, by increaſing the demand, raiſes the price of labour: on the contrary, the ſtagnation which the war has occaſioned in ſeveral of our manufactures, has, in ſome employments, by leſſening the demand for workmen, counteracted, in ſome degree, the operation of the general cauſe, which has raiſed the wages of labour, almoſt uniformly, in all other occupations.

I can aſcribe this general increaſe of wages to no other cauſe than the augmentation which has taken place in the price of the neceſſaries of life; no man will work unleſs he can procure a livelihood by his labour;

labour; as living grows more expenſive, his wages muſt be increaſed: I mean, this muſt *ultimately* be the conſequence; for it does not always immediately follow; and many and ſevere are the miſeries the poor endure, before their wages are raiſed on a level with their neceſſary expenditure. That the advanced price of the neceſſaries of life has rendered an increaſe of wages neceſſary, has been ſo generally admitted, and univerſally felt, that the legiſlature, in ſpite of the growing burdens of the country, have lately found it neceſſary to increaſe the pay of the army and navy, on the avowed motive, that the dearneſs of proviſions rendered it impoſſible for them to ſubſiſt on their former ſtipend.

Now it is evident, that the direct taxes paid by the labourer, ſuch as thoſe on ſalt, beer, candles, ſoap, leather, &c. muſt add conſiderably to his neceſſary expenſes: and if (as I am attempting to prove) every article of conſumption, though not directly taxed, be raiſed in price by the operation of the preſent extended ſyſtem of taxation, his advanced expenſe in the article of proviſions, lodging, clothing, &c. will be owing in a great meaſure to the increaſe of taxes. If, in conſequence of the increaſed expenſe of living, the farmer is obliged to raiſe the labourer's wages, the work he performs muſt coſt the farmer more than it did when wages were lower, and he muſt, conſequently, enhance the price of thoſe proviſions which are the fruit of the huſbandman's labour.

The riſe on the rent of land, and augmentation in the wages of labour, oblige the farmer to employ a larger capital; his ſtock becomes more expenſive; his horſes and cattle are dearer in proportion to the increaſe in the rent of land; his dead ſtock riſes in price according to the augmentation in the price of labour; and as the profits upon his ſtock muſt be in proportion to the capital employed, the increaſe of that capital has a further tendency to raiſe the price of proviſions. If, in conſequence of taxes, the farmer pays more rent, employs a larger capital, and gives higher wages, he muſt raiſe the price of the produce of his land in proportion to the additional charges he incurs; and, though no part of it be ſubject to an immediate tax, the price of the whole is conſiderably enhanced in conſequence of the preſſure of the preſent ſyſtem of taxation upon the different ſources of his revenue, the rent of land, the profits of ſtock, and the wages of labour.

It may be objected to me, that I reaſon in a circle, and conſider the ſame object ſometimes as the cauſe, and ſometimes as the effect of that cauſe: thus it may be ſaid, that in one place I aſcribe the increaſe of wages to the high price of proviſions, while in another I repreſent this high price as the effect of the advanced wages of labour. The fact is, that taxes have an action and re-action: it is difficult to point out the firſt link of the chain; but what is the effect at firſt will often operate afterwards as a cauſe. The increaſing expenſe of living induces the landholder

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to raiſe the rent of his land, and the advanced rent, in its turn, contributes to raiſe the price of ſeveral articles of conſumption. If an augmentation of the labourer's wages raiſes the price of proviſions, which are the product of his labour, the enhanced price of proviſions will render a further increaſe of wages neceſſary: if, on the other hand, the dearneſs of proviſions occaſions an increaſe of wages, this increaſe of wages muſt raiſe the price of proviſions ſtill higher: the re-action will continue till the price of both has found its proper level. If taxes have this effect on proviſions, they muſt have the ſame operation on all other commodities, which can be derived from no other ſource than the rent of land, the profits of ſtock, or the wages of labour.

Such appears to me to be the natural tendency of taxation to raiſe the price of every article of conſumption; and my hypotheſis is confirmed by facts. A melancholy experience teaches us, that a riſe in the price of commodities has kept pace with the increaſe of taxes: there are, certainly, ſome exceptions; but they are owing to particular circumſtances having counteracted the natural operation of taxation. Several of our manufactures, for inſtance, are as cheap, ſome even cheaper, than they were when taxes were much lighter, and the price of labour lower, than at preſent. But the low price of thoſe manufactures is owing to the improvements which have been made in the productive powers of labour; by a proper diviſion; the greater ſkill and dexterity of our workmen; and the invention of machinery,

which, by abridging and facilitating the different operations, produce the ſame quantity of work with much leſs expenſe of labour, and enable the manufacturer to ſell his goods cheaper, though he may give higher wages to each individual workman. A Wedgwood and an Arkwright have done more towards the national proſperity, and the ſupport of public credit, than all the miniſters and ſtateſmen that ever exiſted, from the Conqueſt to this day.

I will go further, and contend, that in proportion as our taxes raiſe the price of the commodities we export, in the ſame proportion will the price of thoſe we import from that market, in exchange, be raiſed to the conſumer at home. People may imagine that it raiſes the balance of trade in their favour; but ſuch an idea is founded on erroneous notions of commerce.

If, in our trade to Portugal, we ſell twenty yards of broad cloth for 20*l.* and pay 20*l.* for a pipe of wine, it is becauſe twenty yards of cloth are ſuppoſed to be of the ſame intrinſic value as a pipe of wine; and that they both repreſent an equal quantity of the product of land, capital, or labour. If by laying a duty of twenty ſhillings a yard on the exportation of cloth, the price of twenty yards ſhould be advanced to 40*l.* it could not be expected that thoſe twenty yards ſhould purchaſe two pipes of wine; the relative value of twenty yards of cloth to a pipe of wine would continue the ſame as it was before, and the price of the wine muſt be raiſed in

proportion, to enable Portugal to buy the cloth. Commodities muſt be exchanged according to their real value, not their nominal price; though we ſhould think proper to make ten guineas repreſent 20*l.* theſe ten guineas would not purchaſe a pipe of wine in Portugal becauſe we brought them there under that denomination.

It may be urged, that, if my reaſoning be juſt, no apprehenſions are to be entertained leſt the advanced price of our manufactures ſhould drive us from foreign markets, as by paying for the commodities in proportion to the riſe in our own, we ſhall make it their intereſt to continue their dealings with us. This may be the caſe with reſpect to Portugal, where we in ſome degree monopolize the market; becauſe no country but England would give any tolerable price for their wines, the value of which, I am perſuaded, is kept up more by the price they give for our manufactures than by any demand or competition: ſhould England prohibit their importation, they would not ſell for half the price we give for them.

But where there is a competition, the loweſt price will always regulate the market. If Portugal wines were univerſally marketable, the country which would ſell cloth at ten ſhillings a yard, and take their wine at 10*l.* a pipe, would be preferred to that which would give 20*l.* for the wine, but demand twenty ſhillings for the cloth. In the firſt place, by

giving the preference to the loweſt price, it would enable the merchants to carry on their buſineſs with half the capital which would otherwiſe be neceſſary: beſides, the cloth is not immediately bartered with the wine. The man who buys the cloth has no wine to ſell; he will not give an advanced price for cloth, to enable the merchant or farmer to ſell his wine to greater advantage. But, as England is almoſt the only market for port wines, it is the intereſt of that country to buy our cloth even at an higher price than ſhe could purchaſe it elſewhere, becauſe ſhe gains more by her wines in her commerce with us than ſhe loſes by the cloth. Should France ſupply her with cloth, but refuſe to take her wines, Portugal, having no vent for the latter, could make no returns for the cloth, which would ſoon ceaſe to be imported from France.

But, to return to our ſubject. I have, in the courſe of this inquiry, endeavoured to ſhow that the weight of taxes, with a few exceptions, falls ultimately on the conſumer; and that they have a tendency to raiſe the price, not only of thoſe articles on which they are impoſed, but likewiſe of all other commodities, which, though not immediately taxed, riſe in their nominal value in conſequence of their indirect operation.

It may be objected, that, if taxes have no other tendency than to raiſe the nominal price of goods and lower the value of money, they may, without

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any ſenſible inconvenience, be carried to any extent, it being of very little conſequence, whether the value of a pound of meat be repreſented by ſixpence or ſix ſhillings, while every other article of conſumption, and the rate of every income, are increaſed in the ſame proportion. This is a matter which requires ſome conſideration.

It would appear at firſt ſight, that the amount of annual taxes could not exceed, at leaſt in any great degree, the quantity of ſpecie in circulation; and that, if the money price of things were to be ten times higher than it is at preſent, a much greater quantity of ſpecie would be required to keep up the circulation. The invention of paper money has, however, in a great meaſure, obviated that objection; but as the whole fabric of paper currency is founded on credit, it is liable to be ſhaken, not only by the miſconduct or misfortunes of individuals, but likewiſe on the event of any public commotion or natural calamity, which might diſturb the tranquillity or endanger the ſafety of the ſtate. It muſt be acknowledged, at the ſame time, that Government, by receiving it in payment for taxes, contributes in a great degree to ſecure its ſtability.

It would neither be uſeleſs nor unintereſting, to inquire whether paper currency has any tendency to lower the value of money. It is with the utmoſt diffidence that I venture to hazard an opinion which differs eſſentially from that of Dr. Smith, who was much

much better qualified to form a judgment on the ſubject than I can pretend to be. With all deference to ſo great an authority, I beg leave to ſuggeſt a few arguments on the affirmative ſide of the queſtion, which to me appear more than plauſible.

It is univerſally allowed, and admitted by the Doctor himſelf, that the diſcovery of America, by increaſing the quantity of the precious metals, diminiſhed their value. But the value of gold and ſilver, like that of other commodities, riſes and falls, not only according to their quantity, but likewiſe in proportion to the demand there is for them in the market. Had the demand for thoſe metals increaſed in proportion to the augmentation in their quantity in conſequence of the diſcovery of the mines in America, money would not have ſunk in value.

This is admitted by our author, who ſays, vol. i. p. 300, "The greater part of Europe was, during "this period, advancing in induſtry and improve- "ment, and the demand for ſilver muſt conſequently "have been increaſing. But the increaſe of the "ſupply had, it ſeems, ſo far exceeded that of the "demand, that the value of that metal ſunk conſi- "derably." Here he acknowledges, that the price of ſilver had riſen, not merely becauſe the ſupply was increaſed, but becauſe it increaſed in greater proportion than the demand. He afterwards ſuppoſes that the further depreciation of its value was prevented by the increaſe of the demand, though

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the quantity of the ſupply continued to increaſe. "The gradual increaſe of the demand for ſilver, or "the gradual enlargement of the market, is pro- "bably the cauſe which has not only kept up the "value of ſilver in the European market, but has "perhaps even raiſed it ſomewhat higher than it was "about the middle of the laſt century." (P. 415.) If an increaſe in the demand tends to raiſe its value, a diminution in that demand muſt be attended with an oppoſite effect, the ſupply remaining the ſame.

The greater quantity of gold and ſilver the circulation of ſpecie requires, the greater muſt be the demand for thoſe metals, and their value muſt riſe in proportion. When paper is ſubſtituted for ſpecie, it renders a ſmaller quantity of coin neceſſary; and, by leſſening the demand for gold, diminiſhes its value. Our author ſays, p. 435, "Though he "(the banker) has generally in circulation notes to "the extent of a hundred thouſand pounds, twenty "thouſand pounds in gold and ſilver may frequently "be a ſufficient proviſion for anſwering occaſional "demands. By this operation, therefore, twenty "thouſand pounds in gold and ſilver perform all the "functions which a hundred thouſand could other- "wiſe have performed. Eighty thouſand pounds "of gold and ſilver therefore can, in this manner, "be ſpared from the circulation of the country." If twenty thouſand pounds anſwer the ſame purpoſes of circulation as an hundred thouſand, the demand for gold and ſilver muſt be conſiderably diminiſhed,

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which will occaſion a depreciation in the value of thoſe metals, which fall in price whether the quantity is increaſed or the demand diminiſhed.

But he ſays that the gold and ſilver, which is replaced by the paper currency, will be exported, and converted into a capital employed in the purchaſe of foreign commodities. It may be ſo; but I am not conſidering the effects of paper on the productive wealth of the country, but its operation on the price of the precious metals. There is a double market for gold and ſilver; that of the particular country where it circulates, and Europe in general. The more we take from the circulation, and bring into either of the markets, the greater will be the depreciation of its value in that market: it is of little conſequence whether the glut proceeds from an increaſe in the importation from America, or from a ſimilar quantity drawn from the circulation of any particular country, in conſequence of the ſubſtitution of paper currency.

Paper money cannot be exported; but it leſſens the demand for ſpecie, and therefore leſſens its value at home. When the home market is overſtocked, ſpecie will be ſent abroad, and, by augmenting the quantity without increaſing the demand, its value will ſink, though in a ſmaller degree, in the European as well as the home market.

Suppoſe

Suppoſe the nominal price of all articles of conſumption in this country ſhould be doubled or quadrupled, it would require a much greater quantity of currency to keep up the circulation. The deficiency, unleſs a gold mine were ſprung on Hounſlow-heath, muſt be drawn out of the general market; it muſt occaſion a greater demand for gold in that market, and, therefore, raiſe its price: this augmentation of its value in the foreign market would likewiſe enhance its price at home, and conſequently reduce the money price of commodities. But if the additional demand can be as effectually ſupplied by means of paper currency, which can be procured without expenſe, it will occaſion no augmentation in the value of money, nor any reduction in the price of commodities. The price of gold and ſilver is regulated, not ſolely by the quantity there is in the market, nor entirely by the demand, but by the proportion the one bears to the other. Paper money leſſens the demand for thoſe metals without diminiſhing the quantity; a ſurplus muſt therefore be the conſequence: that ſurplus augments the quantity at market without increaſing the demand, and, therefore, lowers their price.

I cannot therefore agree in opinion with Dr. Smith, when he ſays, "The increaſe of paper "money, it has been ſaid, by augmenting the quan-"tity, and conſequently diminiſhing the value of "the whole currency, neceſſarily augments the "money price of commodities. But as the quan-

"tity of gold and ſilver which is taken from cur-
"rency, is always equal to the quantity of paper
"which is added to it, paper money does not neceſ-
"ſarily increaſe the quantity of the whole currency."
In the firſt place, when paper currency is introduced to any conſiderable extent, it muſt neceſſarily occaſion an increaſe of the whole currency, for the credit of the paper could not be ſupported without ſpecie: when, therefore, the quantity of paper is equal, or nearly equal, to the whole currency neceſſary to carry on the circulation, there muſt be a certain quantity of ſpecie added to that amount; otherwiſe the paper, not being exchangeable for money, would fall into univerſal diſcredit.

Beſides, though the quantity ſhould not be increaſed, it appears to me, for the reaſons I have alleged, to lower the value of thoſe metals which are the baſis of all currency, and of which paper is only the repreſentative: for though the quantity of the circulating medium ſhould remain the ſame, by rendering gold leſs neceſſary, it makes it leſs valuable. The Doctor conſiders the value of gold and ſilver to depend ſolely on the richneſs or poverty of the mines which ſupply the great market of the commercial world with thoſe metals. But, even on thoſe principles, all the ſpecie which, in conſequence of the ſubſtitution of paper money, is withdrawn from the circulating currency, finds its way into this great market, and muſt have the ſame influence upon it as if it came out of the American mines.

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I ſhall now, without any further digreſſion, proceed to aſſign ſome reaſons why the funding ſyſtem, and the increaſe of taxation, can, in my opinion, neither be carried *ad infinitum*, nor extended much further without the greateſt danger. I have, in the preceding pages, only conſidered the general reſult of taxation, as it tends to affect the conſumer and raiſe the price of all commodities, without taking notice of the various inequalities which mark the ſeveral ſtages of its progreſs, and influence its final operation. Some idea may be formed of the partial and unequal preſſure it occaſions in various caſes, from my obſervations on the rent of houſes. In ſuch a complicated and heterogeneous ſyſtem, it is ſome time before taxes ſo various and multiplied can find their proper level: when the burdens are increaſed in too great a proportion, or with too much rapidity, they may be attended with a preſſure ſo heavy and intolerable, as to ruin the induſtrious, exaſperate the diſcontented, endanger the tranquillity of the ſtate, and threaten the very exiſtence of government. The direct conſequences of a tax may, in general, be aſcertained with tolerable facility; and the burden is immediately transferred to the conſumer: but it is not ſo eaſy to calculate its indirect operation. It is well known that a tax on beer, ſalt, ſoap, leather, &c. and the high price of proviſions, muſt add to the neceſſary expenſes of the labourer, and that, to enable him to ſubſiſt, ſome addition muſt be made to his wages; but it is not eaſy to aſcertain in what proportion they ought to be raiſed: and many are the vic-

tims that fall a prey to want and diſeaſe, before their wages are augmented in proportion to the increaſe in their expenſes: ſo that though the labouring part of the community do not ultimately pay the tax when once it has found its proper level, yet, till that takes place, they feel the burden of it more ſeverely than any deſcription of men, as it muſt be defrayed out of the funds neceſſary for their immediate ſubſiſtence, or the maintenance of their families. What aggravates the evil is, that theſe taxes commonly take place in war time, when a ſtagnation in trade and manufactures diminiſhes the demand for workmen, and enables their employers to engage them on their own terms. It muſt likewiſe be remembered, that they can exonerate themſelves of the burden of taxes only while they can get work; when ſick, or without employment, they feel the evil in its full force. Beſides, when the conſumption of any article of manufacture is diminiſhed, many workmen are thrown out of employment, and frequently endure great diſtreſs before they can find other means of earning their bread.—When a diminution in the demand of any ſort of goods ariſes from other cauſes, its progreſs is commonly ſlow and gradual; the number of hands employed in the manufacture of thoſe goods is inſenſibly diminiſhed; their labour is transferred, by degrees, to ſome other branch of manufacture; and the want of employment in one occupation is commonly compenſated by the increaſing demand for workmen in ſome more thriving branch of national induſtry. But when the diminution in the demand proceeds from

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the impoſition of a heavy tax which leſſens the conſumption of that article, its operation is ſudden and abrupt; a number of workmen are unexpectedly, and all at once, deprived of bread: and when taxes are ſo far multiplied as to reduce conſumption *in general*, one branch of manufacture does not thrive in proportion to the decay of another, nor afford proviſion for thoſe who are thrown out of employment in conſequence of its decline.

The merchant and manufacturer, it has been obſerved, by raiſing the price of their goods in proportion to the taxes they are ſubject to, transfer the burden to the conſumer: yet they are often conſiderable ſufferers, in conſequence of the ſudden, heavy, or unequal operation of taxes. When heavy duties are laid on any article of conſumption, they are prejudicial to the intereſt of the dealer in that article, as they injure his trade in two different ways; by diminiſhing the conſumption, and giving encouragement to ſmuggling. The merchant may perhaps ſuffer more from illicit trade than the manufacturer; but a failure in the conſumption affects the intereſts of the latter in a much greater degree. It diminiſhes, to be ſure, the buſineſs of the merchant, and may leſſen his profits on the ſtock in hand; but if the buſineſs he was engaged in ſhould ceaſe to be ſufficiently extenſive or profitable for the employment of his capital, he can eaſily turn it into another channel. The manufacturer ſuſtains an equal loſs upon the

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ſtock in hand—he experiences an equal ſtagnation of buſineſs; but the capital which he had laid out in the purchaſe of the machinery and other materials neceſſary for the eſtabliſhment of his manufactory, and which is often very extenſive, is conſiderably diminiſhed in value, and cannot, without immenſe loſs, be converted to any other purpoſes.

A ſudden and heavy tax on any particular article is attended with another conſiderable inconvenience, from the partial and unequal manner in which it neceſſarily affects the different dealers in that article. This has been the conſequence of the late duties upon wine. I was ſurpriſed to hear an intelligent importer of wine ſay that he ſold more now than he ever did before: I was the more aſtoniſhed, as, ſoon after the duties were impoſed, I had heard him complain of the great diminution in the conſumption. But my wonder ceaſed, when he informed me, that all who had engaged in that branch of commerce with ſmall capitals had been driven from the market, and left the whole of the buſineſs in the hands of thoſe who were poſſeſſed of large capitals. This muſt always be the conſequence of high duties, eſpecially when laid upon articles which will not admit of an immediate ſale. Nothing can be more partial and unjuſt than ſuch policy: it enriches the overgrown opulent merchant, at the expenſe of the poor induſtrious trader. It is, beſides, prejudicial to the nation at large, as, by leaving the whole of the buſineſs in the

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hands of a few wealthy dealers, it gives them a monopoly of the market, which they regulate as they pleaſe.

Let us now turn our attention to a very important conſideration: though taxes, both in their direct and indirect operation, fall, almoſt excluſively, on the conſumer, ſome conſumers, from the nature of their revenue, have it in their power to give the tax a further operation on a ſucceeding conſumer: thus the workman, as conſumer of taxed commodities, and other articles of conſumption which are raiſed in price by the indirect operation of taxes, pays the tax in the firſt inſtance: but as, in conſequence of the high price of the neceſſaries of life, he receives higher wages from the manufacturer, the tax in reality falls upon the latter, till, in conſequence of the high price of labour, he raiſes the price of his goods; and the purchaſer of thoſe goods muſt pay ultimately the tax advanced by the workman and manufacturer, unleſs he can likewiſe exonerate himſelf from the burden, and transfer it to another. But there are ſeveral claſſes of men who cannot ſhift any part of the weight from their own ſhoulders, and are obliged to bear the whole accumulated burden: others may transfer a part of it; ſome gradually, and others more expeditiouſly: for though the weight of taxes *falls upon*, it does *not reſt with*, every conſumer. Conſumers may be divided into four claſſes; thoſe who derive their income from labour, from their ſtock in trade, from land, or from annuities.

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The two firſt claſſes, in this reſpect, are to a certain degree in a ſimilar predicament; and, indeed, ſtock cannot be put in motion without the labour and induſtry of the owner. We have already ſeen that the taxes advanced by the workman are paid by his employer, and charged by him on the conſumer. This is done directly by the manufacturer, but with leſs accuracy and facility by the farmer. As it is ſome time before it can be calculated in what proportion wages ſhould be raiſed in conſequence of an augmentation in the price of commodities, ſo it cannot be immediately aſcertained what addition is to be made to the price of each article of proviſions in conſequence of the increaſe of wages; and till the proper level is found, the labourer often ſtarves, and the farmer frequently breaks. But though the augmentation in the price of proviſions is more gradual and leſs immediate, becauſe leſs eaſily aſcertained, than the increaſe in the price of manufactures, its operation, though leſs exact and more remote, is equally certain.

Merchants and manufacturers muſt, as well as other conſumers, pay an advanced price for every article of their own conſumption. In all the lower branches of commerce and manufactures, where the chief object of tradeſmen is to obtain a livelihood, an increaſe in the tradeſman's expenſes muſt enhance the price of his goods. The richer dealer, who lives at a greater expenſe, enjoys a proportionate advantage from his ſuperior capital; and, in moſt caſes, every trader

will increaſe his profit in proportion to the advance in his expenſe. The object of this deſcription of men is not only to live on their income, but by induſtry to improve their capital: they muſt, in conſequence of the enhanced price of commodities, either be ſatisfied with a leſs conſiderable augmentation of capital (in which caſe the burden of the tax will fall on them); or they muſt retrench their expenſes, and contribute leſs towards the public revenue; or, by raiſing their profits, throw the burden on the conſumer. As this laſt method is by far the moſt convenient, ſo, I am convinced, it is by far the moſt frequent: but, in proportion as he is eaſed, others muſt be burdened; for the augmentation in his expenſes, if it does not fall upon him, muſt be defrayed by ſomebody elſe.

They who derive their revenue from land, as I have already obſerved, will, in the courſe of time, be able to raiſe their rents in ſome proportion, at leaſt, to the advanced price of the ſeveral articles of conſumption. But the augmentation in the rent of land muſt be gradual and progreſſive; it cannot be immediate; neither can it riſe with ſufficient rapidity to keep pace with the accelerated motion of modern taxation.—While leaſes ſubſiſt, they are in the ſame ſituation as thoſe who derive their income from annuities: even when the landholder is unencumbered with leaſes, he cannot on a ſudden make any conſiderable advance in his rent; becauſe, while the farmers in the neighbourhood hold their lands on moderate terms in con-

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ſequence of a long leaſe, if a tenant ſhould give a much higher price, he could not ſtand the competition of his neighbours who hold their land on eaſier terms. Though rents have riſen conſiderably in all parts of the kingdom, it does not appear to me that they have riſen in proportion to the augmentation in the price of the ſeveral articles of conſumption, and therefore the income of landlords is not raiſed on a level with their increaſed expenditure. It is indeed impoſſible that they ſhould have exonerated themſelves of the taxes which have ſo recently taken place, becauſe the riſe in their rents muſt be ſlow and gradual; therefore a ſudden and heavy accumulation of taxes occaſions as ſevere a preſſure upon them as upon any body of men: they muſt either run in debt, or retrench, and, by diminiſhing their conſumption, pay leſs towards the ſubſiſting taxes.

Thoſe who derive their income from annuities can, in no caſe, indemnify themſelves by transferring the burden to others; the whole weight of taxes, both in their immediate effect and their indirect and circuitous operation, falls upon their ſhoulders: in proportion as the landholder or trader is eaſed, the annuitant muſt be aggrieved; they can relieve themſelves only by burdening him, who finally pays the augmentation in the rents of the one, and the increaſe of the profits of the other: when taxes are conſiderably multiplied, he muſt curtail his expenſes, and, by diminiſhing his conſumption, occaſion a defalcation in the produce of the taxes. Phyſicians and other

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profeſſional men, whoſe fees generally continue the ſame, cannot eaſily raiſe their profits to meet every augmentation in the price of commodities: when the preſſure, however, is very ſevere, it is not impoſſible for them to find means of increaſing their profits to a certain degree. The clergy, when paid in tithes, ſuſtain no loſs; they partake of the riſe in the landholder's rent, the farmer's profits, and the labourer's wages; but when they receive a fixed ſalary, they are in the ſame ſituation as other annuitants.

It may be ſaid, that annuitants, being unproductive and unprofitable members of ſociety, are little entitled to the conſideration of Government; they deſerve, however, ſome attention from their numbers; and it is not one of the leaſt objections to the funding ſyſtem, that it tends to increaſe that number in proportion to the extent of its operation. They have, beſides, a common intereſt with the military and other public functionaries; and, if the high price of the ſeveral articles of conſumption oblige them to retrench, their contributions towards the neceſſities of the ſtate muſt diminiſh in proportion, and defeat the purpoſes of taxation.

Thus it appears that the burden of taxes falls with accumulated weight, at all times, and under all circumſtances, upon the annuitant; its preſſure on the landholder is, for a time, equally ſevere; and though the merchant and manufacturer may indemnify themſelves, it muſt be at the expenſe of the other two claſſes of conſumers, who, in that caſe, muſt bear

their burden as well as their own. Heavy taxes muſt therefore diminiſh conſumption; if they do not fall equally on all conſumers, the inequality of their diſtribution increaſes the evil, and diminiſhes the conſumption of thoſe on whom they fall, in greater proportion than they increaſe that of thoſe who are relieved: and though the trader may find means to transfer his taxes to the conſumer, ſtill the conſumption of that claſs of men is diminiſhed on the whole by their operation, firſt, as it leſſens their buſineſs, by diminiſhing the demand for the articles in which they deal, but principally, becauſe, by favouring the richer, to the prejudice of the poor trader, it unavoidably leſſens the conſumption of the latter, without increaſing that of the former in the ſame proportion; for, though the rich dealer gains what is loſt by the others, the greateſt part of that profit will be applied to the augmentation of his capital, rather than the increaſe of his conſumption.

Too heavy and ſudden an increaſe of taxes muſt therefore defeat its own purpoſes: as they fall on conſumption, they muſt not be carried to ſuch an exceſs as would dry up the ſource whence their produce muſt flow. Should they be multiplied to ſuch a degree as to occaſion a general retrenchment, not only a deficiency in their produce, but a ſtagnation in the manufactures of the country, muſt be the unavoidable conſequence: the whole trading intereſt of the country would be materially affected; but the ſevereſt preſſure would be experienced by the laborious

rious poor, who earn their bread by their induſtry; many of theſe would be unable to get employment: numbers of ſervants would likewiſe be diſcharged: and though a great number of domeſtic ſervants is in itſelf an evil, as it increaſes the number of unproductive labourers; yet it is not the greateſt of evils, and may, in ſome caſes, be the corrective of a greater calamity: it is better a poor man ſhould wear a livery, than ſtarve in the ſtreets, or languiſh in a workhouſe, as numbers muſt do, if ever the national induſtry ſhould ſink under the weight of exceſſive taxes.

If the numerous taxes, which have been impoſed during theſe laſt ſix years, had been raiſed in the ſix years immediately ſucceeding the American war, I am perſuaded that a bankruptcy, an inſurrection, or ſome violent exploſion, would have been the conſequence. But in the interval of peace, the taxes laid on during the war had time to find their level; the whole of their operation came to be tolerably aſcertained; the landholder gradually raiſed his rents, the labourer his wages, the farmer the price of his proviſions; in ſhort, the value of money became depreciated; and the annuitant, the officer (naval and military), and a few others, whoſe income partook of the nature of annuities, were the only material ſufferers. This is the reaſon why every peace eſtabliſhment, after a war, is always more expenſive than it was before. Our future peace eſtabliſhment, if we ſhould ever again be permitted to enjoy the bleſſings of peace,

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will riſe in greater proportion than it ever did before, in conſequence of the augmentation in the pay of the army and navy. For this reaſon, likewiſe, every war is carried on at double the expenſe of the preceding. In 1739, our debt was leſs than forty-nine millions; the war which ended in 1748 added above thirty-two millions; the next war nearly doubled the whole debt, which, at its concluſion, amounted to about one hundred and forty millions: the American war was attended with a further addition of above an hundred millions. We ſhall be fortunate if we can get clear of the conſequences of the preſent, at the expenſe of two hundred millions more: and a future war of ſix or ſeven years, upon as extenſive a ſcale as the preſent, will not (if the preſent ſyſtem can be extended ſo far) be carried on for leſs than double that ſum.

I am aware that my ideas on the effects of taxation will not meet with univerſal approbation; I know different notions are entertained on the ſubject by men of conſiderable talents and ſuperior abilities; among the moſt diſtinguiſhed of whom ſtands the gentleman whoſe name has more than once been introduced in the courſe of theſe obſervations, and who can never be mentioned but in terms of admiration and eſteem.

Dr. Smith admits that the augmentation in the wages of the workman is charged, with a profit, upon the price of his goods, by the manufacturer who advances

vances it; and therefore, that the final payment of this augmentation, together with the additional profit of the manufacturer, falls ultimately on the conſumer. But he will not allow that the farmer can, in the ſame manner, indemnify himſelf for the riſe in the wages of the labourer, by raiſing the price of his proviſions; nor that the landholder can increaſe his rents in conſequence of the preſſure of taxes, or the enhanced price of commodities: he thinks that an augmentation in the rent of land can proceed only from the progreſs of improvement and the growing riches of the country.

It muſt be obſerved, that when this able writer publiſhed his work, the effects of taxation were not ſo conſpicuous as they are at preſent; it was then, as it were, in its infancy; for, though he wrote only three-and-twenty years ago, its growth has in that interval ſwelled it to the ſize of a giant, and it has taken ſuch immenſe ſtrides, that its tendency can be aſcertained with much greater preciſion than when he wrote. The amount of the annual taxes, at the time he publiſhed his book, did not exceed ten millions; our permanent eſtabliſhment cannot be eſtimated much lower than twenty-five millions; ſo that the ſum now raiſed is in proportion to what it was then, nearly as five to two.

That the preſent high price of labour, commodities, proviſions, and rent, does not proceed from the

growing proſperity of the country, will, I think, evidently appear from the following conſiderations.

The national wealth made a much greater progreſs during the laſt ſix years of peace, than it has done for the ſix years we have been engaged in war; yet the augmentation in the price of wages, commodities, and proviſions, has been infinitely greater during the ſix years of war, than during the ſix years of peace; it ſeems, therefore, to have increaſed, not in proportion, but in an inverſe ratio, to the thriving ſtate of the country.

When things riſe in price, in conſequence of the growing wealth and increaſing proſperity of the nation, the riſe is ſlow, gradual, and progreſſive, like the increaſe of the national wealth; on the contrary, this riſe has been as ſudden and rapid as the progreſs of taxation. I except the rent of land, the riſe in which is a remote conſequence of the augmentation in the price of the other articles, and, as I have already obſerved, is ſlow and gradual.

As the augmentation in the price of things has been general and permanent, it cannot be attributed to any partial or accidental cauſe: if it be not owing to the increaſe of national wealth, I can trace it to no other cauſe but the increaſe of taxation, aſſiſted perhaps by paper currency.

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When I ſay that the rent of land is raiſed in conſequence of the high price of other things, it muſt be underſtood that I always mean the *nominal* rent, which may be raiſed while the *real* rent is diminiſhed: for inſtance, ſuppoſe the price of other commodities, on an average, to riſe one half, and rents to be advanced only one fourth, the nominal rent is increaſed, while its real value is diminiſhed; a greater ſum of money is paid, but will exchange for a leſs quantity of goods than a ſmaller ſum did before: this I take to be, in a great meaſure, the caſe with the landholder at preſent; the nominal rent of his land has riſen; but as it has not riſen in proportion to the augmentation in the price of other things, though nominally raiſed, it is really lowered.

If, as Dr. Smith judiciouſly obſerves, the real value of any commodity conſiſt in the quantity of labour it can command, or the quantity of other goods it will exchange for, an acre of land repreſents a certain quantity of labour, and will exchange for a certain quantity of other goods; any cauſe which tends to raiſe the nominal price of labour or goods in general, without increaſing their value, muſt either raiſe at the ſame time the *nominal* rent of land, or ſink its *real* value. Land bears a certain proportion in its value to that of other commodities; and any cauſe, which tends to affect the price of goods in general, will commonly extend its operation to land, as well as other things. An alteration in the value of money, in conſequence of a great influx of bullion from new-

diſcovered mines, or the debaſement of the coin, would have the ſame effect on the nominal rent of land as on the price of other things. Any other cauſe, that will produce an equal degradation in the value of money, muſt be attended with ſimilar conſequences. It appears to me that the increaſe of taxes has an equal tendency to depreciate the value of money; but this depreciation, being the conſequence of the aggregate effects of their complicated operation, cannot be diſtributed with the ſame accuracy and equality, as when it proceeds from an immediate and ſimple cauſe. This depreciation, though not uniform in its operation, nor equally diſtributed, has had a general, though unequal, influence on the nominal value of all ſorts of property: rents have riſen as well as other things, but not in a degree ſufficient to prevent a diminution of their real value. It has not yet had its full operation on that property which continues riſing in price every day.

Dr. Smith ſays, that a tax on land, as it has no tendency to diminiſh the quantity, can have none to raiſe the price of the produce. This is true, only on the ſuppoſition that the farmer is unable to advance the price of his proviſions; for if he can tranſfer the tax to the conſumer, the argument falls to the ground. The tax upon malt certainly raiſes the price of beer, though it may not diminiſh its quantity.

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Upon his principles, taxes on the neceſſaries of life, by raiſing the price of labour, fall on the landholder in a double capacity; as landlord by reducing his rent, and as conſumer by increaſing his expenſe. The firſt argument is likewiſe founded on the idea that the farmer cannot charge the increaſe of wages to the conſumer, which I think is erroneous. The other depends on the ability of the landlord to raiſe the nominal price of his rents in proportion to the price of other goods.

It remains now to inquire, whether the farmer can raiſe the price of his proviſions, in conſequence of high wages and the enhanced price of the neceſſaries of life. If he cannot, the burden muſt fall upon him, or rather on the landlord, in the reduction of his rent, or the inability of the farmer to pay it.

I ſee no reaſon why the farmer ſhould not be able to raiſe the price of his manufactures in proportion to what they coſt him, as well as other manufacturers. It is ſaid, the latter can keep back their goods, and occaſion an artificial ſcarcity in the market; but that the farmer, from the periſhable nature of his commodities, cannot do the ſame. It ſtrikes me differently: the farmer's goods are not all immediately of a periſhable nature; cattle, ſheep, and even corn, may be ſold as he finds moſt convenient: but though *he* is not always obliged to *ſell*, his *cuſtomers* are *neceſſitated* to *buy*. It is of little conſequence to me whether I buy a new hat to-morrow or next week; but I can-

not remain a week without food. I think therefore the farmer has as great a command of the market as the manufacturer; he cannot, however, ſo eaſily enter into combinations as the latter.

If the farmer could not raiſe the price of his proviſions, the whole burden of advanced wages, and the high price of the neceſſaries of life, would fall upon him while his leaſe ſubſiſted; the conſequence would be, the utter ruin of the farmer, and a conſiderable abatement in the rent when the leaſe expired: inſtead of that, farmers thrive more than ever, and, almoſt without exception, give their landlord an advanced rent on the renewal of their leaſes. Theſe are facts which cannot be argued or explained away.

Where the progreſs of taxation is ſlow and moderate, its effects are neither ſo viſible nor ſo immediate: the farmer may, for a time, bear a moderate weight, but when exceſſive burdens are impoſed, he muſt either remove them, or ſink under the weight. During this war, taxes have had a more immediate effect in raiſing the price of labour and proviſions than they were ever known to have before, becauſe their amount being ſo much greater, their tendency was more viſible, and their operation more ſenſibly felt; conſequently the neceſſity of raiſing the price of goods became more urgent, and better underſtood. Labour and proviſions have therefore conſiderably riſen in price: this is a certain and acknowledged

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fact: had this happened in conſequence of the growing proſperity of the country, it would have taken place during the years preceding the war, and not kept pace with the increaſe of taxes raiſed ſince that period.

If this riſe had proceeded from any accidental or partial cauſe, its effects would have been neither general nor permanent. Corn, in the years 1795 and 1796, roſe to an immenſe price, in conſequence of accidental ſcarcity; this great riſe, like the cauſe that occaſioned it, was temporary: it has ſince fallen in conſequence of plentiful harveſts; but it ſtill continues dear, becauſe the price of all goods is increaſed. Butcher's meat, which roſe, not in conſequence of any accidental cauſe, but owing to the general augmentation in the price of labour and commodities, ſtill keeps up its price, as well as butter, poultry, and every other produce of the farm and dairy.

It will perhaps be ſaid, that the price of meat is falling, though taxes continue to increaſe: it may be ſo in ſome degree; but unleſs it ſhould fall as low as it was before the war, and other ſorts of proviſions ſhould fall in proportion, that will not invalidate my argument. The price may have been raiſed in an higher proportion than it ought to have been: it was perhaps enhanced for ſome time in conſequence of the very high price of corn: its high price may have encouraged a greater ſupply, which muſt lower it in

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ſome degree: the various attempts made to reduce it, may have been attended with ſome degree of ſucceſs, particularly the rearing of pigs: its high price, with the preſſure of taxes in general, may, by leſſening the conſumption, have diminiſhed the demand: fluctuations will happen from accidental cauſes; but while the price in general keeps pace with the increaſe of taxes, it will confirm my reaſoning.

Our author admits that an uniform riſe in the money price of things would argue a depreciation in the value of money. Let me appeal to every man's experience, whether a general riſe has not taken place. It may not be abſolutely uniform; in ſome manufactures it has been counteracted by other cauſes; but theſe exceptions would have taken place equally on any poſſible degradation in the value of money. Now if a general depreciation has taken place, and is not owing to the increaſe of taxes, it remains for my opponents to ſhow from what cauſe it proceeds.

I beg leave to inſiſt on theſe facts—that wages have riſen; that the produce of the farm, as well as other commodities, has augmented in price; that the rents of land continue riſing; that the riſe in all theſe articles has been greater, without any compariſon, during this war, than ever was known before, and therefore cannot proceed from the increaſing proſperity of the nation, but muſt be owing to the increaſing amount of taxes. Upon Dr. Smith's principles, the augmentation in the wages of labour and the price

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of goods, would have occaſioned no riſe in the price of proviſions, but would have fallen upon the profits of the farmer or the rent of the landlord. On that ſuppoſition, proviſions would have riſen in price; the farmer, far from being in his preſent thriving ſituation, and augmenting the landlord's rent on the renewal of his leaſe, would be happy to have eſcaped the diſgrace of bankruptcy or the horrors of a gaol, and would never have renewed his leaſe without requiring ſome abatement in his rent.

The whole difference between me and my opponents conſiſts in this: it is preſumed on the one hand, that, though taxes augment the price of wages, and that of ſeveral commodities, they have no tendency to raiſe the price of the produce of land, but to lower the rent of the landlord: while, on the other hand, it is contended, that by their operation on wages and ſeveral articles of conſumption, they tend to raiſe the price of the produce of land in the ſame proportion as that of other goods, and, in proceſs of time, to augment the nominal rent of the landlord; that by raiſing the price of things in general, they lower the value of money, and that conſequently the annuitant bears the chief burden of taxation; with this obſervation, that until the landlord can raiſe his rents, and it cannot be done immediately, he is in the ſame ſituation as the annuitant. Which of theſe two opinions is beſt ſupported by argument, and confirmed by experience, muſt be left to the reader to determine.

There remains to be conſidered another dangerous conſequence reſulting from the exceſſive multiplication of taxes; I mean its influence upon our manufactures in the foreign markets. The effects will be alarming upon either hypotheſis; for it is univerſally admitted, that taxes, by raiſing the price of ſome materials, and all ſorts of labour, tend to enhance, in proportion, that of the manufactures which are the produce of that labour and thoſe materials: but the danger will be magnified, if they have likewiſe a tendency to raiſe the price of proviſions, which, by cauſing a further increaſe of wages, muſt render manufactures ſtill dearer.

The expenſe neceſſary for the production of our manufactures may, at laſt, grow ſo exceſſive as to drive us from foreign markets, and perhaps enable our rivals, in ſome degree, to ſupply our home conſumption. The ſuperiority we have hitherto maintained in foreign markets, has been owing partly to poſitive, and partly to negative cauſes. The ingenuity of our manufacturers; the induſtry of our workmen; the ſtrong capitals of our commercial men, joined to their ſpirit of enterpriſe; and, above all, the invention of ſeveral uſeful machines which abridge the proceſs of labour, have ſecured to our manufactures a decided preference in moſt foreign markets. But this ſuperiority has been in a great meaſure ſupported by the want of induſtry and commercial enterpriſe in other countries, where ſpeculations in trade received little encouragement from the

policy of their government. Theſe are the poſitive and negative cauſeswhich have counteracted the baneful effects of taxation, and hitherto maintained the ſuperiority of Britiſh manufactures in every part of the globe. But if the adverſe ſcale ſhould be too heavily loaded, we may at laſt loſe the preference we have hitherto enjoyed. The ingenious inventions of our countrymen may be tranſported into, or imitated in other countries; the induſtry of our rivals may be ſo ſtimulated by a change in their policy, as to emulate our own, and diffuſe an equal degree of energy over their manufactures and commercial ſpeculations. Thus we may be deprived of the negative advantages we have hitherto poſſeſſed, while the poſitive burdens we labour under will continue, and probably increaſe their preſſure on the manufacturer, and induce him to transfer his capital and ingenuity into other countries, where, unencumbered with an intolerable load of taxes, he will exert his induſtry in the production of manufactures equal in value, and ſuperior in cheapneſs to our own. Thoſe manufactures may, by means of illicit trade, be introduced into this country, and drive our manufacturers from our own market. We ſee that our manufactures at preſent find their way into all foreign countries, notwithſtanding the prohibition of ſome of their governments: if, unfortunately, foreign commodities ſhould ever obtain a conſiderable ſuperiority over our own, either in quality or cheapneſs, we may conclude that every attempt of our government to prevent their introduction would prove equally fruitleſs.

The loſs of the foreign market would aggravate every other evil reſulting from exceſſive taxation: it would reduce the revenue, diſcourage induſtry, and diminiſh conſumption. By cauſing a defalcation in the revenue, it would render new taxes neceſſary, and burdens would increaſe in proportion as the means of ſupporting them were diminiſhed. The additional taxes would ſcarcely compenſate for the diminution that would take place in conſumption, owing to the multiplication of the taxes themſelves, and the decline of manufactures. The manufacturer would be ruined; the annuitant, unable to live upon his income, would elude the taxes by leaving the kingdom; the labourer, left without work, and oppreſſed with heavy taxes, muſt beg, ſteal, or ſtarve: he could not live by begging, for nobody would have any thing to give; to ſtarve, to periſh on the ſcaffold, or rot in the poor-houſe, would be his only alternatives. The whole country would exhibit a ſcene of miſery and deſolation, for which a general bankruptcy would be the only remedy.

When we conſider the ſtate of our debt, the enormous amount of our annual taxes, the depreſſed ſtate of the funds, and the further depreſſion which new loans muſt unavoidably occaſion; when we reflect on the high intereſt which muſt be paid, and the numerous taxes which muſt be impoſed, the boldeſt ſtateſman will pauſe before he ventures to add to the permanent burdens which we are ſcarcely able to ſupport. To raiſe the ſupplies by a general contribution, without any augmentation to the funded debt,

appears

appears to me a wiſe, a prudent, and a ſalutary meaſure. I approve the principle, and if it can be carried into execution with any degree of equity and impartiality, without having recourſe to vexatious proceedings and unconſtitutional expedients, I ſhall give the miniſter credit for the vigour, the prudence, and the policy of the plan.

To oblige a man to contribute the tenth part of his income, appears to me a fair and eligible mode in point of principle; but I am afraid it will be difficult to diſcover a criterion by which the amount of a man's income may be aſcertained. But as my obſervations are intended to apply to the principle only, I ſhall confine myſelf to that conſideration, without entering into any detail on the means of carrying it into execution.

Happy would it have been for this country, if, inſtead of adopting the funding ſyſtem, the ſupplies had always been raiſed within the year: the people would have felt at once the ruinous effects of war, and no miniſters could ever have deluded them into hoſtilities, by diſguiſing their conſequences. It would likewiſe have corrected that propenſity to war for which the people of this country are too much diſtinguiſhed; and at the return of peace, the nation would have found itſelf free from any burdens or incumbrances in conſequence of the war. The contraſt between the war and peace eſtabliſhment would have induced the people to cheriſh the bleſſings of

peace, and ſtudiouſly to avoid the calamities of war. The funding ſyſtem originated immediately after the Revolution, when the nation was involved in a war in ſupport of the new eſtabliſhment. As the government was yet precarious and unſtable, it was found expedient to render the immediate preſſure as light as poſſible, in order to reconcile the people to the actual ſyſtem, truſting that at the reſtoration of peace they would gradually diſcharge the debt incurred during the war. It was not deſigned to form a permanent fund; anticipation only was at firſt intended, and was the parent of the preſent ſyſtem.

Had Mr. Pitt, on the commencement of the preſent war, adopted the plan that he is ſaid now to have in contemplation, we ſhould long ago have enjoyed the bleſſings of peace: it would have cooled the reſentment of the people againſt regicide France; Europe would have been now in a ſtate of tranquillity and independence; ſhe would not, in a ſtate of the loweſt humiliation, have crouched to the overgrown power of the French republic, which owes its preſent ſuperiority to the victories it has gained, in conſequence of the protracted war it was obliged to wage by the *enlightened* policy and *wiſe* perſeverance of our *ſagacious* miniſter.

Now that this country is engaged in the war beyond the poſſibility of retreat, he ventures to produce this plan, which, though it comes from *him* with an ill grace, is, I think, leſs deſtructive than an increaſe of our funded debt. Many objections may, and no doubt

doubt will be urged againſt it; nor can any plan of finance be ſuggeſted, in any degree adequate to the preſent occaſion, that will not be liable to very juſt objections: but it muſt be remembered that every tax is in itſelf an evil; that in finance there is no other choice but that of difficulties; and that when money muſt be raiſed, ſome method of raiſing it muſt be preferred, not becauſe it is good, but becauſe it is leſs inconvenient than any other. Upon theſe principles I am inclined to recommend this project, as leſs objectionable than any other that has been ſuggeſted.

All the advantages of a tax, except its productiveneſs, are chiefly negative; and there are ſome among the negative advantages that will proceed from this ſcheme. It will not increaſe the amount of the national debt: it will make no addition to the permanent burdens which threaten, if they receive any conſiderable acceſſion, the ruin of the country: it will not enhance the price of the neceſſaries of life, nor of any article of conſumption, and therefore will have no tendency to raiſe the price of labour: it will draw no more money out of the pockets of the people than will go into the Treaſury: it will convince the people that war cannot be ſupported without ſome inconvenience, and render them more anxious for the reſtoration of the bleſſings of peace. If the ſupplies can be raiſed within the year, and the war ſhould be continued beyond the next campaign, this method of raiſing money will not obſtruct the ſupplies

of the following year, by depreſſing the funds and lowering the national credit. The contribution may be continued for another year, without rendering the preſſure of that year heavier than that of the preceding.

If the expenſes of one year are paid in the courſe of two or three, the burden will be lighter for the time, but longer in its duration. I would recommend it to miniſters to meet the difficulties boldly, and, if poſſible, provide for the whole of the expenſe during the year. While the war endangers the ſafety and proſperity of every individual, the people may be induced to make great ſacrifices, but they will ſcarcely ſubmit with any tolerable degree of patience to ſuch heavy contributions on the return of peace.

After ſtating the advantages that will reſult from this plan, I muſt now conſider the moſt weighty objections that may be urged againſt it. It may be ſaid, that raiſing ſo large a ſum will oblige every man to contract his expenſes, and occaſion a conſiderable defalcation in the produce of the permanent taxes. I admit it in ſome degree. This objection, however, does not apply to this ſcheme excluſively; it may be urged with equal force againſt any other that will raiſe a ſimilar ſum; and, if admitted as concluſive, will compel us to have recourſe again to the deſtructive expedient of funding. The deficiency in the old taxes from diminiſhed conſumption muſt be conſi-

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dered as a drawback on the product of this contribution, and must be provided for hereafter.

But it will be added, that by diminishing consumption it will lessen the demand for our manufactures. Undoubtedly. This objection is exactly of the same nature as the preceding, and equally applicable to any other method of raising the same sum. It is an inconvenience that must be submitted to, in order to avoid a greater: it is better that our manufactures should suffer a slight temporary suspension, than be totally and irretrievably ruined by the accumulated weight of permanent taxes. The annual amount of permanent taxes entailed on the country in consequence of the first five years of the war, scarcely falls short of the yearly sum intended to be raised by the assessed taxes.

Many will be of opinion that the tax ought to be laid on property rather than income: to me it appears that a temporary tax ought rather to be imposed on the latter; the annual income of every man is the best criterion of his ability to contribute to the expenses of the year. Besides, it would be much more difficult to ascertain the value of a man's property than the rate of his income: it is much easier for a commercial man to calculate the amount of his annual profits, than to estimate the exact value of his capital. That it will fall heavier on some descriptions of men than on others, cannot be denied; a perfect equality in the application of one common

principle

principle to an infinite variety of caſes, is not to be attained. Exemptions and modifications may be adopted, but theſe relate to the detail, and I am only conſidering the general principle. I ſhall only obſerve, that if, as is reported, every man who has an income exceeding two hundred a year ſhould be made to contribute in the ſame proportion, the plan will be very defective and inequitable: the ſcale ought to aſcend higher, even upon the principle adopted by the miniſter in his aſſeſſed taxes.

Some will think that there ſhould be a difference between a man who derives ten thouſand a year from the revenue of his property, and the merchant or manufacturer who annually realizes the ſame ſum by his buſineſs. I own it ſtrikes me in a different light. No man is more indebted for his proſperity to the protection derived from the public force than the commercial man, and no man ought to contribute more liberally to the ſupport of the ſtate.

The merchant who makes ten thouſand a year by his buſineſs, ſeldom ſpends the whole of his income; and as he pays taxes only as a conſumer (if he *ultimately* pays any taxes at all), he does not contribute ſo much to the public burdens as the gentleman of a revenue of ten thouſand a year, who in general lives up to his income, and therefore contributes more largely to the exigencies of the ſtate. Beſides, war affords a thouſand opportunities of profitable ſpeculation to commercial men: it is the war that enables them to

make

make immenſe profits upon the loans: to the war they are indebted for thoſe contracts which have enriched ſo many of them. It muſt be allowed that their ſpeculations are not always ſucceſsful, and that, as many grow rich, others are ruined in conſequence of the war; but, as the contribution will be according to their actual income, it will bear a certain proportion to the ſucceſs of the ſpeculator.

The moſt formidable objection to this project is the inquiſition that muſt take place, to aſcertain the income of every man: if it be ſevere and rigorous, it will be oppreſſive and vexatious; if leſs ſtrict and rigid, it will open the door to fraud and evaſion. In one place it may be characterized with extreme rigour; while in another, indulgence, negligence, or connivance, will mark its proceedings. Here, in my opinion, the whole difficulty lies: as I am not in the confidence of the miniſter, I am ignorant by what criterion he means to judge of every man's income; but let his plan be ever ſo efficient, mild, and otherwiſe unobjectionable, the mere diſcloſure of the ſtate of every man's circumſtances is an evil of ſuch magnitude, as to be juſtified by nothing ſhort of the moſt urgent neceſſity. That ſuch neceſſity exiſts, I firmly believe; funding leads to certain ruin; and, till a better ſubſtitute for that deſtructive expedient can be found, I muſt look upon this as our beſt reſource.

It has often been aſſerted, that a diſcloſure of income will be of the moſt fatal conſequence to the mercantile world; but I think much more ſtreſs is laid upon that argument than it will bear. The diſcloſure of the amount of his income will afford no ſure criterion by which a judgment can be formed of the trader's capital; a ſmall capital often produces a conſiderable income, while a large capital, in conſequence of loſſes or diſappointments, is ſometimes productive of but a moderate income. As in general, however, ſome idea of the capital may be formed from the income, I do not annex much weight to that argument; but it is certain that a diſcloſure of income will not affect the credit, or diſcover the circumſtances, of a trader, ſo effectually as if the tax were laid on property, and he were obliged to diſcloſe his capital. I confeſs I do not behold, what are called, the myſteries of trade, with ſo much veneration as many people: where ſo much is ſaid about myſtery, I am apt to ſuſpect ſome knavery lurking at the bottom. I know no deſcription of men into whoſe pecuniary circumſtances people have ſo much right to inquire, as into thoſe of perſons who ſtand forward as candidates for public confidence. Is it unreaſonable that the banker who invites the public to depoſit their property in his hands, ſhould give proofs of his reſponſibility? That ſuch a diſcloſure may be inconvenient to many adventurers, who obtain credit under falſe pretences, I am very willing to admit; but I do not conſider this as an evil: I think, if the circumſtances of every trader

were publicly known, though it might be attended with ſome inconveniences, it would likewiſe be productive of many beneficial conſequences. Bankruptcies would be leſs frequent; private credit and perſonal confidence would be eſtabliſhed on a firmer baſis; and the open, unſuſpecting, generous man would not ſo often be the dupe of the deſigning ſwindler or unprincipled adventurer. It might in ſome degree operate as a diſcouragement to future improvements. As in medicine, the moſt important diſcoveries have frequently been made by irregular practitioners; ſo in the commercial world, men of adventurous minds, and ſmall capitals, are the moſt likely to diſcover new channels of trade. Men with large capitals ſeldom wander out of the beaten path, where their capital enſures a certain profit with little riſk; they are cautious how they hazard it in new experiments. Men with a ſmall or borrowed capital play a bolder game; and, ſeeing no chance of growing rich by the ordinary profits of a ſmall capital, they ſeek a new road to wealth, at the hazard of their ſmall fortune: if they ſucceed, the public partake of the fruits of their enterpriſe; if they fail, the loſs is all their own, or at moſt extends only to their creditors: and even their failure often paves the way for more prudent, more fortunate, or wealthy projectors, who improve upon the original plan, and contribute to the extenſion of the commerce of their country.

There is a certain claſs of men who will feel this diſcloſure as a very mortifying circumſtance. We are all fond of a certain degree of reſpect and conſideration, which nothing in this country is ſo likely to command as wealth, or the appearance of wealth: this induces many reſpectable families to adopt the moſt rigid economy, that they may, by making a genteel appearance, avoid the ſlights and contempt they conceive to be attached to narrow circumſtances. This may be called vanity; but, if a weakneſs, it is an harmleſs, and, I believe, a very prevailing one. Moſt men are fond of making an appearance ſuperior to their circumſtances; and it muſt be mortifying for thoſe who have, through life, laboured to conceal their indigence, to be compelled to declare it to the world. But the vanity of individuals, however innocent, cannot be put in competition with the ſafety of the ſtate, or the preſervation of the country.

There is another deſcription of men, much leſs reſpectable, and who deſerve little regard on their own account, that will find themſelves in a predicament in which no man ought to be placed. Many, whoſe ſalaries or direct means of livelihood are very circumſcribed, have recourſe to indirect, often to diſhonourable and criminal methods of augmenting their income. Where a cuſtom-houſe officer is known to have no other means of livelihood than a ſalary of fifty pounds a year, he may, by exacting illegal

illegal fees, receiving bribes, or other corrupt practices, increaſe his real income to four or five times the amount of his ſalary; in that caſe he cannot ſwear to his real income, without indirectly confeſſing his iniquitous conduct. He muſt either *perjure* or *accuſe* himſelf. The man who has rendered himſelf liable to puniſhment by his fraudulent practices, will ſeldom ſtartle at perjury when it is the only means to ſecure him from detection. But here, if an oath ſhould be impoſed, he muſt ſwear at all events, and he has no alternative but to *perjure* himſelf, or ſwear himſelf a *knave*.

I ſhall notice only one more objection; the ſuppoſed breach of faith that would reſult from the impoſition of any direct tax on the income of the public creditor. This appears ſpecious and plauſible. Not being learned in the law, I ſhall not inquire how far it may be a departure from the letter of it; neither ſhall I enter into any diſcuſſion, how far the legiſlature may be authorized, by urgent circumſtances, to deviate from the literal import of the moſt ſolemn compact. I ſhould be at no loſs for precedents if they were neceſſary; charters have been repeatedly altered by the legiſlature, without the conſent of the parties; and when the act paſſed for the conſolidation of ſeveral duties, the appropriation of thoſe duties was altered, and the ſecurity of the public creditors changed; but as they were no ſufferers by the meaſure, it met with no oppoſition, though, perhaps, not ſtrictly regular in point of form. It is upon the

ſame grounds I ſhall attempt to defend a tax on the income of the ſtockholder, who, in my opinion, inſtead of being a loſer, will be conſiderably benefited by this plan of finance.

While ſome exclaim againſt this breach of faith towards the public creditor, others complain, that, while every body elſe is overwhelmed with taxes, the ſtockholder alone bears no ſhare in the public burdens; and hold him out as an object of envy to the reſt of his countrymen. If I have been in any degree ſucceſsful in unfolding the progreſs and tendency of taxation, the reverſe will appear to be the fact; the annuitant, though not taxed in the firſt inſtance, ultimately bears almoſt the whole weight of taxation. The taxes which fall on the labourer are by him transferred to the farmer, who throws them on the artiſan in the advanced price of the proviſions he conſumes; the artiſan is indemnified by receiving higher wages from the manufacturer, who, in conſequence, raiſes the price of his goods on the conſumer; but if the conſumer ſhould be an annuitant, the link of the chain breaks there: *he* cannot tranſfer the burden, he muſt ſuſtain its whole accumulated weight. He finally pays the taxes on the labourer's conſumption, the advance in the price of proviſions conſumed by the artiſan, together with the profits of the farmer and manufacturer; and whenever the landholder ſucceeds in raiſing his rent, this muſt likewiſe be ultimately defrayed by the annuitant: his expenſes daily increaſe, while his revenue continues

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the ſame. As taxes are multiplied, retrenchment, ruin, or emigration, are his only alternatives.

Though the hypotheſis that I have endeavoured to maintain ſhould be erroneous, it cannot alter the nature of facts. It is undeniable that the price of moſt commodities, the wages of labour, and the rent of land, are raiſed conſiderably; and that the income of the annuitant continues the ſame. He muſt, out of the ſame ſum, pay the advanced rent of the landlord, the increaſed profit of the trader, and the augmentation in the wages of the labourer. If the riſe of rents and increaſe of profit proceed from the thriving ſituation of the country and the improving wealth of the nation, ſtill it enables the landlord and trader, who are benefited by its extenſion, to ſupport the increaſing burden of taxes: but the annuitant does not partake of the growing proſperity; on the contrary, it adds to his difficulties by increaſing his expenſes. If the nominal value of land did not riſe, the landlord would be in a ſtill worſe ſituation than the annuitant, on the ſuppoſition that he bore the whole or any part of the land-tax: but that it has riſen, is a fact that will admit of no diſpute; if this riſe be owing to the progreſs of taxation, it is, as far as it proceeds, an antidote to the evil; and, if it ſhould be owing to any other cauſe, though taxes have the ſame poſitive operation upon him as they have on the annuitant, yet his relative ſituation is more advantageous, becauſe the riſe on his rents, let it

proceed

proceed from whatever cauſe, muſt diminiſh the preſſure of increaſing taxes.

In addition to theſe diſadvantages, which are common to all annuitants, the ſtockholder labours under another difficulty peculiar to himſelf. If, in conſequence of the preſſure occaſioned by increaſing taxes and the augmentation in the expenſe of living, he ſhould no longer be able to ſubſiſt on his income, he cannot employ his capital in any branch of manufactures, commerce, or active induſtry, without diſpoſing of it at a loſs of 50 per cent.; ſo that, not only his income loſes its comparative value, but his capital is diminiſhed one half: and as the value of his property is impaired, its ſecurity is weakened.

Far, therefore, from conſidering the ſtockholder as an object of jealouſy, I think him entitled to an uncommon ſhare of indulgence and attention. It would be no leſs cruel than unjuſt to ſingle him out as an excluſive object of taxation, who is already one of its moſt devoted victims. At the ſame time I ſhould think him either very ungrateful, or very inconſiderate, if he ſhould oppoſe this meaſure, and plead his privilege in order to prevent its ſucceſs.

His income, to be ſure, in other caſes, is not taxed in the firſt inſtance; he advances no duty, but he ultimately pays the greateſt part of thoſe advanced by others, with the addition of the ſeveral profits of

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thoſe who advance them. The burden of many falls on his ſhoulders, which he muſt bear in addition to his own, without the poſſibility of transferring it to others. To every tax on conſumption therefore he contributes more than his ſhare; to this he will pay only in proportion to others.

Even thoſe who think that taxes on conſumption do not fall *heavier* on the annuitant than on other deſcriptions of men, will not ſay that they are *leſs* affected by them: they muſt at leaſt bear an *equal* ſhare. A tax upon income will not therefore, even upon their principles, be more oppreſſive to them than if it were laid upon expenditure. It would only be prejudicial to thoſe who hoard part of their income: but as it will affect the profits of trade, as well as the ſavings from revenue, and the former are by far the moſt conſiderable, even in that reſpect its operation will be in favour of the annuitant.

But the ſtockholder will derive other eſſential advantages from this meaſure. It will increaſe the value and ſtrengthen the ſecurity of his capital; as the national debt increaſes, the funds of the public creditor ſink in value, while their ſecurity is rendered more precarious. A continuance in the funding ſyſtem might, in a very ſhort time, totally deſtroy the one and annihilate the other. I will not heſitate to ſay, that if ſtockholders in general underſtood their true intereſt, the table of the Houſe of Commons would be loaded with their petitions, praying their conſtituents to prevent their impending ruin, by

adopting ſome mode of providing for the public neceſſities, without any increaſe to the funded debt, which muſt, if perſiſted in, prove fatal to their intereſts.

The aſſeſſed taxes were, ſubſtantially at leaſt, as much a breach of national faith towards the public creditor, as the project under conſideration. It was avowedly intended to make every man contribute according to his income; and the aſſeſſed taxes were fixed upon as the beſt criterion to aſcertain that income: the principle was the ſame in both caſes, though there may be ſome variation in the form.—The ſpirit of that meaſure was to lay a contribution on income; the aſſeſſed taxes were the means adopted to accompliſh it; as they have proved inadequate, other means are now ſought to obtain the ſame end. The preſent method appears to me infinitely preferable in every reſpect, except one; I mean the neceſſity it will occaſion of inſtituting a ſcrutiny into every man's income. In the firſt place, it will produce a great deal more. Secondly, the contribution will bear a more equal proportion to a man's ability to contribute. In many caſes, the aſſeſſed taxes obliged a man to pay more, in proportion as his previous extravagance had diminiſhed his ability of paying at all: the miſer was ſpared, while the prodigal was overburdened. Thirdly, it will not have ſo great a tendency to diminiſh the product of the permanent taxes. While the contribution was regulated by the amount of particular taxes, it tempted every man to pay as little as poſſible towards them, in order to

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leſſen their contribution. Thoſe taxes muſt have ſuffered a great diminution in conſequence. Taking the aſſeſſment upon the rate of the preceding year, though it leſſened, it did not entirely remove the evil. Thoſe who had never been aſſeſſed, thoſe who could, as well as thoſe who imagined they might, evade the conſequences of their former aſſeſſments, were induced to make a conſiderable reduction in their eſtabliſhment. Fourthly, the contribution not depending upon any particular branch of expenditure, every man is left at liberty to regulate his expenſes according to his inclination, without being deprived of any favourite enjoyment becauſe more particularly affected by the tax.

But as the meaſure in agitation is likely to be oppoſed chiefly by thoſe who reprobated the aſſeſſed taxes, it will not convince them that it is right, becauſe the other might be worſe. We muſt therefore let it ſtand on its own merits. Any oppoſition to it muſt, I believe, be founded on one of theſe grounds: that it is not neceſſary to raiſe the money at all; that this method of raiſing it is more objectionable than the old mode of funding; or that a better plan than either of them may be adopted.

Nothing would give me greater pleaſure than to ſee the project defeated on the firſt of theſe grounds: and the miniſter who ſhould preſume to bring forward ſuch a propoſal, without the moſt urgent neceſſity, ought to be anſwered by an *impeachment*; his exit on the ſcaffold would afford the beſt leſſon of

economy to his ſucceſſors in office. If any plan of finance, equally productive, and leſs objectionable than the preſent, can be deviſed, I ſhall likewiſe rejoice, though in an inferior degree: but if there is no other alternative; if we muſt either adopt a tax on income, or perſevere in the deſtructive method of funding, I do not heſitate to declare that we ought not to balance a moment in giving the preference to the former; not becauſe it is good in itſelf, but becauſe it is leſs pregnant with evil than the other. So heavy a contribution will, no doubt, be attended with great inconvenience and many unpleaſant circumſtances; but its preſſure will be temporary, though ſevere; the extent of the evil is known at once; it may be galling for the time, but it will leave no ſting behind: whereas it is impoſſible to calculate the miſchiefs which may reſult from any conſiderable addition to the permanent debt entailed upon the country, or aſcertain the calamities which that political monſter may generate in her prolific womb.

I am not without hopes that ſome method may hereafter be adopted to ſimplify our preſent complicated ſyſtem of finance, which is ſupported at an immenſe expenſe, operates with great inequality, and opens the door to much fraud and evaſion. If, on the return of peace, all taxes were repealed, except ſuch as it might be thought expedient to retain for the purpoſes of regulation, and ſome ſimple plan adopted, we ſhould be relieved at once from an army of revenue-officers and tax-gatherers, who are a double weight to the nation, as they are unproductive

members

members of ſociety, and as they are maintained at the public expenſe. I flatter myſelf the preſent meaſure may lead to ſomething of that nature.—What would be the moſt proper object of taxation I will not pretend to ſay; it is a ſubject too arduous for me to determine, neither have I conſidered it with ſufficient attention to authorize me to give my opinion.

Some time ago Mr. Dobbs publiſhed a pamphlet in which he recommended that principle, and propoſed that all taxes ſhould be laid excluſively on houſes; but I rather think that an impoſition of that kind ought to be laid on objects of abſolute neceſſity; though houſes may be neceſſary, good houſes are not; it appears to me that land would be more likely to afford a productive revenue.

If ten ſhillings in the pound were laid on land according to the real rental, allowing the landlord to charge it to his tenant in addition to his rent, it would raiſe a ſum perhaps nearly equal to what will be required for the peace eſtabliſhment. Some will ſay it would ultimately fall on the landholder; that objection I have already conſidered: others, that it would raiſe the price of proviſions; this appears to me better founded: it would have that effect certainly; but not ſo much as may be imagined at firſt ſight. The rent of land at preſent cannot, at the higheſt computation, be ſuppoſed to conſtitute more than one-third of the price of proviſions: a tax of ten ſhillings in the pound would therefore only raiſe them one-ſixth of their preſent price. It may be ſaid,

ſaid, that proviſions being raiſed one-ſixth, would cauſe a proportionate augmentation in the price of labour, and occaſion a further riſe in the price of proviſions. This conſequence I cannot admit; I am far from believing that it would raiſe wages: the labourer would pay one-ſixth more for his proviſions, but he would be relieved from all the taxes which at preſent he is obliged to bear: this, in my opinion, would more than compenſate for the additional price he would give for his bread and meat. Bread would not riſe ſo much as other articles, for the rent of the land does not bear ſo great a proportion to the value of wheat as it does to moſt other articles of cultivation. Every houſekeeper would ſpend ſeven ſhillings at market where he now ſpends ſix; but he would pay no window-lights, no duties on cuſtom or exciſe; he would be free from every other burden.

The moſt material queſtion is, how far ſuch a meaſure would affect the price of wool and other raw materials uſed in our manufactures?

I am ſenſible of the many difficulties ſuch a meaſure would be attended with: but if this hint, imperfect as it is, ſhould induce men of more weight and greater abilities to turn their attention that way, and ſtrike out ſome feaſible plan for rendering our ſyſtem of taxation leſs burdenſome and oppreſſive, this pamphlet will not be altogether uſeleſs. Indeed I think that the great augmentation which will take place in the expenſes of our peace eſtabliſhment, muſt compel the attention of the legiſlature, and introduce

troduce ſome improvement in our ſyſtem of finance. I ſhrewdly ſuſpect that it might have taken place before this time, had not miniſters been more anxious to extend their patronage than to relieve the burdens of the people. The ſuppreſſion of the great revenue boards, with their numerous train of dependents, though it would be attended with the moſt beneficial conſequences, whether conſidered in a conſtitutional or economical point of view, would conſiderably diminiſh the corrupt influence of miniſters: it cannot therefore be expected to take place under the preſent adminiſtration. It is perhaps too great a ſacrifice to be expected from the virtue of any miniſter.

I have endeavoured in the preceding pages to eſtabliſh the following propoſitions:

That taxes, with a few exceptions, ultimately fall on the conſumer.

That they tend to raiſe the price, not only of thoſe articles on which they are laid, but likewiſe of thoſe which are not immediately taxed; and conſequently tend to lower the value of money by raiſing the nominal price of goods in general.

That though paid by every conſumer, ſome conſumers have it in their power to transfer the burden to others, and therefore they are not all equally affected by their operation.

That annuitants, not having it in their power to transfer any part of their burden, and having a great

part

part of that of others thrown upon them, ſuffer more by their operation than any deſcription of men.

That taxes diminiſhing conſumption, and thereby defeating their own object, cannot be extended *ad infinitum*; nor can they be rapidly increaſed to any great amount without great inconvenience and danger.

That a further increaſe of the funded debt would be highly impolitic and eminently dangerous at the preſent period.

That a tax on income, though liable to ſtrong and weighty objections, is preferable to a perſeverance in the funding ſyſtem.

That the ſtockholder, far from being aggrieved, will be eminently benefited by ſuch a general contribution.

How far my attempts to elucidate the above ſubjects may have been ſucceſsful, muſt be left to the determination of the intelligent reader. In diſquiſitions of ſo abſtruſe a nature, different opinions will naturally be entertained; to canvaſs their reſpective weights is the province of literature and philoſophy. I have delivered my ſentiments with freedom, but, I hope, without dogmatiſm or illiberality; and thoſe who may think that I have failed in proving what it was my principal deſign to eſtabliſh, will, I flatter myſelf, be candid enough, while they condemn my performance, to give me ſome credit for the motives which alone could have tempted me to expoſe my feeble abilities in the ſervice of the Public.

THE END.